

# **EXHIBIT B**



## NYCT Prescription Drug ESI – 2019 Contract Extension Analysis

December 6, 2018

Proprietary & Confidential



## Rx Request For Proposal 2015 Year by Year Results

Amounts from the September 2015 Staff Summary

ESI BAFO Results	2016	2017	2018	2016 - 2018	2019	2016 - 2019
<b>Claims</b>	\$290,460,000	\$318,210,000	\$349,400,000	\$958,070,000	\$375,070,000	\$1,333,140,000
<b>Administrative Costs</b>	\$ 2,180,000	\$ 2,180,000	\$ 2,180,000	\$ 6,540,000	\$ 2,180,000	\$ 8,720,000
<b>Guaranteed Rebates</b>	(\$ 51,770,000)	(\$ 58,280,000)	(\$ 69,160,000)	(\$179,210,000)	(\$ 67,350,000)	(\$246,560,000)
<b>EGWP Revenue</b>	(\$ 33,450,000)	(\$ 33,450,000)	(\$ 33,450,000)	(\$100,350,000)	(\$ 33,450,000)	(\$133,800,000)
<b>Compound Drugs</b>	\$ 14,480,000	\$ 14,480,000	\$ 14,480,000	\$ 43,440,000	\$ 14,480,000	\$ 57,920,000
<b>ESI Net Plan Costs - BAFO</b>	<b>\$221,900,000</b>	<b>\$243,140,000</b>	<b>\$263,450,000</b>	<b>\$728,490,000</b>	<b>\$290,930,000</b>	<b>\$1,019,420,000</b>
<b>Optum BAFO</b>	\$227,740,000	\$253,230,000	\$283,110,000	\$764,080,000	\$309,410,000	\$1,073,490,000
<b>ESI Savings vs. Optum BAFO</b>	(\$ 5,840,000)	(\$ 10,090,000)	(\$ 19,660,000)	(\$ 35,590,000)	(\$ 18,480,000)	(\$ 54,070,000)
<b>Optum Prior Contract</b>	\$244,010,000	\$274,390,000	\$308,290,000	\$826,690,000	\$337,590,000	\$1,164,280,000
<b>ESI Savings vs. Optum Prior</b>	(\$ 22,110,000)	(\$ 31,250,000)	(\$ 44,840,000)	(\$ 98,200,000)	(\$ 46,660,000)	(\$ 144,860,000)

- In 2015, an RFP was conducted by Aon on behalf of the MTA that awarded prescription drug coverage to Express Scripts (ESI). The figures shown above reflect the claims, administrative costs, rebates, EGWP revenue, and compound drugs for commercial and EGWP combined from the RFP for 2016 through 2019.
- Based on the RFP, savings over the three year period from 2016 to 2018 were \$35.59 million as compared to Optum's Best and Final Offer (BAFO), and \$98.2 million as compared to Optum's contract at the time. Based on four year period from 2016 to 2019 were \$51.1 million as compared to Optum's Best and Final Offer (BAFO), and \$144.8 million as compared to Optum's contract at the time.
- The \$144.8 million of savings ("ESI Savings vs. Optum Prior") represents 15.1% of non-compound total costs.



## Rx RFP Results – Adjusted to April 1, 2016 Implementation Date

ESI BAFO Results	2Q16 - 4Q16	2017	2018	2Q16 - 4Q18	2019	2Q16 - 4Q19
Claims	\$220,730,000	\$318,210,000	\$349,400,000	\$888,340,000	\$375,070,000	\$1,263,410,000
Administrative Costs	\$ 1,660,000	\$ 2,180,000	\$ 2,180,000	\$ 6,020,000	\$ 2,180,000	\$ 8,200,000
Guaranteed Rebates	(\$ 39,340,000)	(\$ 58,280,000)	(\$ 69,160,000)	(\$166,780,000)	(\$ 67,350,000)	(\$234,130,000)
EGWP Revenue	(\$ 25,410,000)	(\$ 33,450,000)	(\$ 33,450,000)	(\$ 92,310,000)	(\$ 33,450,000)	(\$125,760,000)
Compound Drugs	\$ 11,000,000	\$ 14,480,000	\$ 14,480,000	\$ 39,960,000	\$ 14,480,000	\$ 54,440,000
<b>ESI Net Plan Costs - BAFO</b>	<b>\$168,640,000</b>	<b>\$243,140,000</b>	<b>\$263,450,000</b>	<b>\$675,230,000</b>	<b>\$290,930,000</b>	<b>\$966,160,000</b>
<b>Optum BAFO</b>	<b>\$173,070,000</b>	<b>\$253,230,000</b>	<b>\$283,110,000</b>	<b>\$709,410,000</b>	<b>\$309,410,000</b>	<b>\$1,018,820,000</b>
<b>RFP Savings</b>	<b>(\$ 4,430,000)</b>	<b>(\$ 10,090,000)</b>	<b>(\$ 19,660,000)</b>	<b>(\$ 34,180,000)</b>	<b>(\$ 18,480,000)</b>	<b>(\$ 52,660,000)</b>
<b>Optum Contracted</b>	<b>\$185,430,000</b>	<b>\$274,390,000</b>	<b>\$308,290,000</b>	<b>\$768,110,000</b>	<b>\$337,590,000</b>	<b>\$1,105,700,000</b>
<b>RFP Savings</b>	<b>(\$ 16,790,000)</b>	<b>(\$ 31,250,000)</b>	<b>(\$ 44,840,000)</b>	<b>(\$ 92,880,000)</b>	<b>(\$ 46,660,000)</b>	<b>(\$139,540,000)</b>

- The figures above reflect the same results as the prior slide, only Calendar Year 2016 has been adjusted to reflect the April 1, 2016 ESI implementation date.
- Based on the RFP, savings over the 33 month period (last three quarters of 2016 plus calendar years 2017 and 2018) were \$34.18 million as compared to Optum's Best and Final Offer (BAFO), and \$92.88 million as compared to Optum's contract at the time. Savings from the April 1, 2016 through December 31, 2019 were \$52.66 million vs. Optum's Best and Final, and \$139.54 million as compared to Optum's contract at the time.

Amount from Staff Summary  
Modification No. 2 –  
Extending ESI Contract

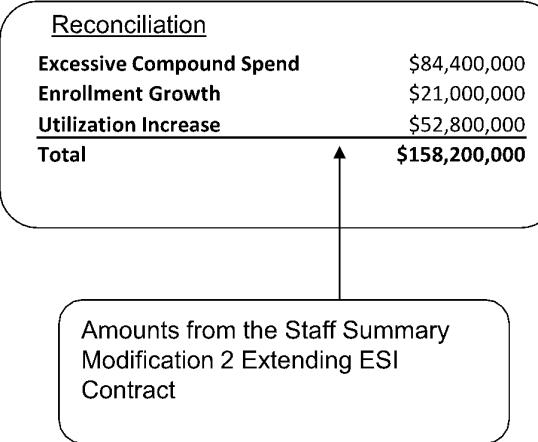


## Comparison of Actual 2016 & 2017 Costs Plus Forecasted 2018 With 2015 ESI's BAFO

Historical Lookbacks	2Q16 - 4Q16	2017	2018	Total
<b>Claims</b>	<b>\$267,270,000</b>	<b>\$420,610,000</b>	<b>\$415,160,000</b>	<b>\$1,103,040,000</b>
<b>Administrative Costs</b>	<b>\$ 1,950,000</b>	<b>\$ 2,770,000</b>	<b>\$ 2,880,000</b>	<b>\$ 7,600,000</b>
<b>Rebates</b>	<b>(\$ 43,530,000)</b>	<b>(\$ 64,020,000)</b>	<b>(\$ 84,970,000)</b>	<b>(\$192,520,000)</b>
<b>EGWP Revenue</b>	<b>(\$ 21,710,000)</b>	<b>(\$ 31,010,000)</b>	<b>(\$ 31,970,000)</b>	<b>(\$ 84,690,000)</b>
<b>Total - Lookback</b>	<b>\$203,980,000</b>	<b>\$328,350,000</b>	<b>\$301,100,000</b>	<b>\$833,430,000</b>
<b>ESI Net Plan Costs - BAFO</b>	<b>\$168,640,000</b>	<b>\$243,140,000</b>	<b>\$263,450,000</b>	<b>\$675,230,000</b>
<b>Difference</b>	<b>\$ 35,340,000</b>	<b>\$ 85,210,000</b>	<b>\$ 37,650,000</b>	<b>\$158,200,000</b>

- Over the 33 month period, net plan costs under ESI have exceeded the RFP BAFO estimate by \$158.2 million. The majority of the overage is associated with excessive compound spend, with enrollment growth and higher than expected utilization contributing as well.
- Enrollment grew by 3.2% between the RFP assumption and the average enrollment for the 33 month period (from 149,000 members to 153,700).

10 Months  
Actual, 2  
Months  
Projected



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## Compound Drug

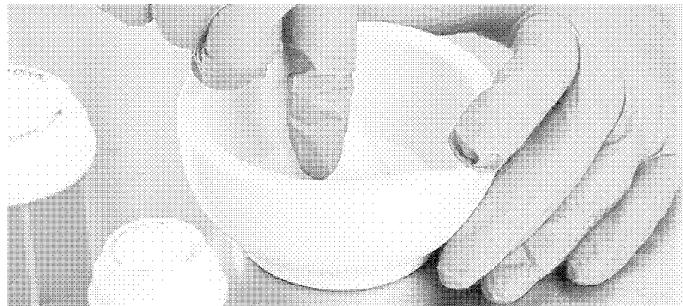
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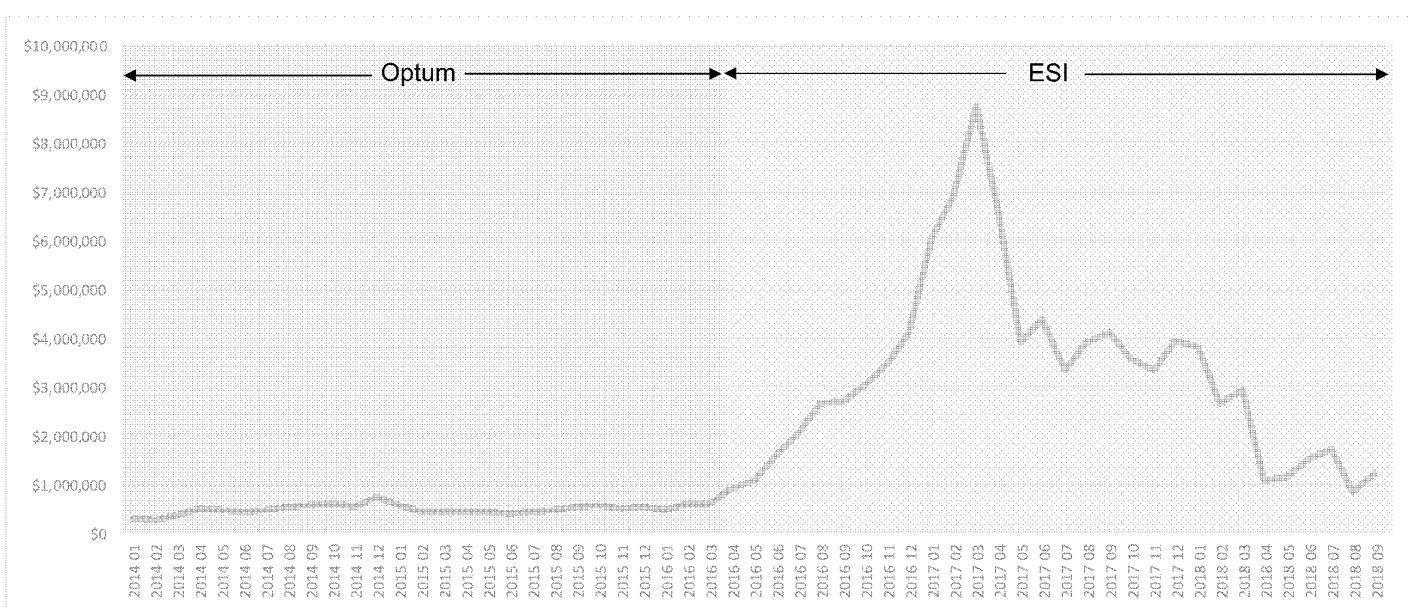
## Compound Spend Management

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- The MTA is unable to exclude any compound since Compound Drugs are covered under the Plan
- The MTA is allowed to deny a compound if it contains a component that is not FDA approved. In these situations, the non-approved component is usually removed or replaced with an approved component, and the compound is issued anyway.



## NYCT Actual Historical Compound Spend By Month



- Compound prescriptions are specifically prepared by a pharmacist and involves a mixture of two or more different ingredients in a specific strength and dosage.
- Compound spend prior to 2016 was less than \$1,000,000 a month for the Commercial and EGWP population combined.
- Compound spend began rapidly rising in 2016 to a peak of \$8.8 million in March 2017. The MTA has taken steps to reduce excessive compound spend, and the monthly spend has returned to levels much closer to the 2014-2016 levels.



## Audit Results of Denied Compound Drug Claims Optum Compared to ESI

Month	Commercial	EGWP
2015 01	286	
2015 02	266	
2015 03	278	
2015 04	277	<i>EGWP</i>
2015 05	226	<i>Rejections</i>
2015 06	235	<i>Not</i>
2015 07	252	<i>Provided</i>
2015 08	237	<i>By Optum</i>
2015 09	253	
2015 10	275	
2015 11	237	
2015 12	255	
2016 01	235	
2016 02	286	
2016 03	279	
2016 04	371	175
2016 05	342	175
2016 06	223	162
2016 07	189	139
2016 08	299	145
2016 09	297	126
2016 10	298	169
2016 11	260	120
2016 12	665	100

Optum  
ESI

- Rejections associated with compound drugs actually increased under ESI. For the 15 months starting on January 1, 2015, Optum rejected 258 compound claims per month, on average, for Commercial coverage (they did not provide EGWP rejections for this period).
- Under the first 9 months of ESI coverage, there were an average of 327 Commercial compound claims rejected per month, with 665 Commercial rejections in December of 2016.
- Supports the premise that Optum was not more aggressive than ESI in adjudicating Compound Drugs
- In addition, a number of physicians with high Compound Drug scripts appeared for the first time through ESI that never had material scripts under Optum

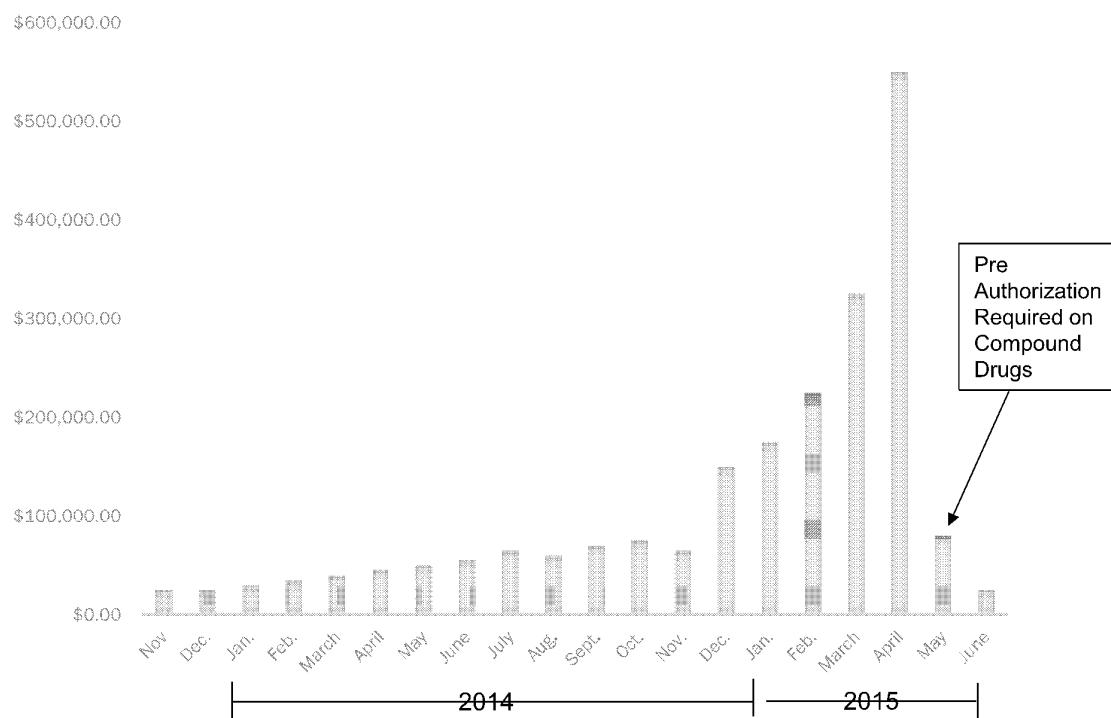


## The Compound Drug Scheme – Similar Experience to NYCT

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- Compound Medicine: Allegedly Custom-Tailored to Unique Health Needs of Individual Patients
- Targeted TRICARE and Other Government Programs
- In the first 9 months of 2015, TRICARE paid \$1.7 billion, or 20% of their total prescription drug budget, on compounded drugs
- Compared to just \$23 million in 2010, a 7,291% increase
- In two years, TRICARE's average cost for a compound drug jumped from \$192 to \$2,595

## TRICARE Monthly Compound Expense

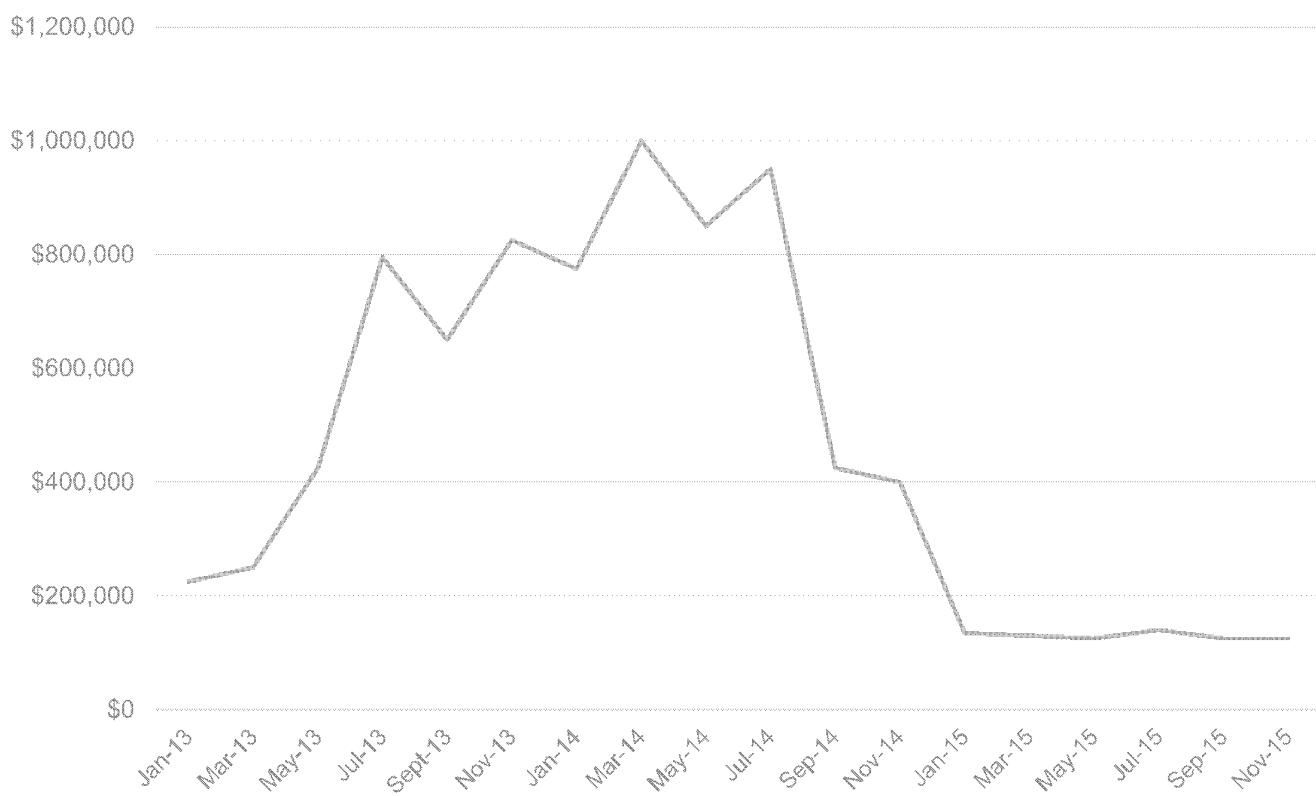


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## Aon Large Case ESI Drug Coalition Compound Medicine Cost



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## Compounding Pharmacy Fraud: Fact Patterns & Trends

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- Physician Kickback Schemes:
  - Research Studies
  - Medical Director Positions
  - Providing High Salary Jobs to Spouses, Family Members
  - "Evaluation" or "Encounter" Fees for TeleMed Docs
- Marketer Kickback Schemes
  - % Based Compensation to Marketer; Commissions as High as \$8,000 per script
  - Concealed as Hourly Fees for Lead Generation, Consulting, Patient Screening, Patient Verification
- Patient Kickback Schemes:
  - Co-Pay Assistance
  - Research Participation Fees
  - % Payments and Untraceable Gift Cards
- Other Schemes
  - Identify Theft: Unsolicited Deliveries to TRICARE Beneficiaries
  - Targeted Phone Solicitations, Phishing Schemes
  - Doctors and Patients in Different States; No Physician Evaluation = No Bona Fide Patient – Physician Relationship
  - Changing Formulas to Maximize Reimbursement

## NYCT's Taken Regarding Spike In Compound Drug Spend

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- Starting in September 2016, 5 months into the ESI contract, NYCT met with TWU Leadership about the spike in compound drugs and the need to implement controls.
- As compound drug cost continued, NYCT notified:
  - NYCT HR Leadership
  - Labor Relations
  - MTA General Auditors
  - MTA Inspector General - Reaches out to NYCT Legal, FBI Task Force on Compound Drug Marketers, NYS Attorney General
- NYCT monitors bi-weekly Physician Prescribing Practices and spend by Pharmacy for Questionable Business Practices to identify abusers and eliminate them from being reimbursed by the Plan
- Action to Date:
  - 34 Pharmacies are denied re-imbursements from the plan 21 of which are outside NY, NJ area
  - One pharmacy had just under \$30,000,000 in claims before being shut down on May 1, 2017. This pharmacy had \$0 claims under Optum
  - 25 Physicians are excluded from coverage under the Plan
  - Two Physicians had \$35,000,000 in claims through 6,000 scripts
- March 2018 – MTA bus driver pleaded guilty to Compound Drug fraud of \$5 Million
- June 2018 – Another MTA bus driver admits to \$2.9 Million in unnecessary Compound medications other MTA employees are suspected of participating
- - According to the MTA IG – 3 other bus drivers have come forward



## ESI's Official Position on Compound Drug Processing Under NYCT Contract

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- Compound medications are prescription drugs when written by a licensed physician (or corresponding profession, as determined by each state)
- Doctors have the prerogative to use a medication for anything they feel will benefit the member (including off label, experimental use)
- This can be expanded to pretty much anything...
- We use First Data Bank and Medispan as our drug information source. ESI does NOT set prices
- The NDCs that are passed to ESI on a weekly basis from these sources are used to adjudicate all claims
- We do review all NDCs and, for clients that manage compounds, NDCs are added and removed based on clinical evaluation and P&T approval
- In all 50 states (and territories), pharmacy compounding is allowed and accepted as standard of practice to treat patients (with a prescription)
- Compounds are not FDA-approved medications but instead are a combination of FDA-approved products. Each state allows compounding based on a doctors' orders

## ESI's Official Position on Compound Drug Processing Under NYCTA Contract

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- As long as valid NDCs are used to submit a compound request for NYCTA, the compound will process based on the information/ setup below which was agreed upon when implemented 4/1/2016.
- The account team has presented ESI's Compound Management Solution Program to NYCTA as a way to best manage the cost for compounds.
- There is no standard by which to evaluate the appropriateness and effectiveness of a compound product as there are no established guidelines
- However, compounded products are necessary in rare situations where the commercial product will not work for the patient (primarily children where they cannot ingest the commercially available product).

A compounded prescription is a medication that consists of two or more ingredients that are weighed, measured, prepared or mixed according to prescription order.



## Utilization and Drug Mix Contribution to Underestimating Cost

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## Estimated Savings From Awarding ESI The Contract Based On Actual Claims

COMMERCIAL			
	Spend		Savings
	Projected	Reprice	Projected
2016	\$169,606,200	\$204,025,000	\$14,972,700
2017	\$184,219,500	\$244,680,000	\$20,363,400
2018	\$198,459,000		\$28,396,400
2019	\$215,624,600		\$30,128,000
Commercial Total	\$767,909,300		\$93,860,500 108.4%

EGWP			
	Spend		Savings
	Projected	Reprice	Projected
2016	\$85,749,400	\$103,200,000	\$7,133,500
2017	\$92,373,700	\$105,300,000	\$10,884,000
2018	\$98,430,800		\$16,446,900
2019	\$108,746,600		\$16,535,500
EGWP Total	\$385,300,500		\$50,999,900 93.7%

NYCTA Combined	\$1,153,209,800	\$144,860,400	103.5%
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Aon redid the RFP analysis using the experience period actual data (eliminating trend) and found that in aggregate ESI has so far delivered 103.5% of the estimated savings from previous contract

### Notes

Reprice Analysis compares minimum guarantees (ESI BAFO v ORx Baseline) for the experience period  
 Analysis excludes CMS Revenue, Compounds, Vaccines, Paper Claims etc.

## Reconciliation Of Actual Cost Over RFP Projected Cost – Utilization/Drug Mix

Commercial Population	Overall	Non-Specialty	Specialty
<b>Previous Plan Cost PMPM</b>	<b>\$171.25</b>	<b>\$122.91</b>	<b>\$48.33</b>
Utilization	▲ 6.0%	▲ 5.8%	▲ 19.2%
Inflation	▲ 1.6%	▲ 0.3%	▲ 6.5%
Drug Mix	▲ 3.1%	▲ 3.1%	▼ -9.1%
Discount	▼ -3.9%	▼ -6.3%	▲ 0.2%
Cost Share	▼ -0.2%	▼ -0.4%	▼ 0.0%
<b>Change in Plan Cost PMPM</b>	<b>6.5%</b>	<b>2.5%</b>	<b>16.7%</b>
<b>Current Plan Cost PMPM</b>	<b>\$182.42</b>	<b>\$125.99</b>	<b>\$56.43</b>

<b>Previous Plan Cost Net PMPM</b>	<b>\$148.54</b>
<b>Change in Plan Cost Net PMPM</b>	<b>4.0%</b>
<b>Current Plan Cost Net PMPM</b>	<b>\$154.47</b>

EGWP Population	Overall	Non-Specialty	Specialty
<b>Previous Plan Cost PMPM</b>	<b>\$439.36</b>	<b>\$325.13</b>	<b>\$114.23</b>
Utilization	▲ 3.7%	▲ 3.7%	▲ 10.1%
Inflation	▲ 4.5%	▲ 3.7%	▲ 8.1%
Drug Mix	▲ 2.2%	▲ 1.0%	▲ 2.2%
Discount	▼ -1.4%	▼ -3.5%	▲ 0.4%
Cost Share	▲ 0.2%	▲ 0.1%	▲ 0.2%
<b>Change in Plan Cost PMPM</b>	<b>9.2%</b>	<b>5.1%</b>	<b>21.1%</b>
<b>Current Plan Cost PMPM</b>	<b>\$479.86</b>	<b>\$341.59</b>	<b>\$138.27</b>

<b>Previous Plan Cost Net PMPM</b>	<b>\$364.14</b>
<b>Change in Plan Cost Net PMPM</b>	<b>7.9%</b>
<b>Current Plan Cost Net PMPM</b>	<b>\$393.04</b>

Date Range 4/17-3/18 versus 4/16-3/17

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Growth in Specialty Drug utilization and price inflation continues to be the largest contributor to prescription drug trend.

Specialty plan cost grew by 30% YoY from 2014 (the base year for projections) through 2017, which is 9% pts higher than RFP assumptions and accounts for ≈\$36M or 70% of unanticipated spend. Inflammatory Conditions and Cancer continue to be the main drivers of specialty drug trend.



## Development of Cost for 2019 Option Year

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## 2019 Projected Cost – Calculation – Staff Summary Mod. #2

( a )	\$416,906,659	Paid October 2017 - September 2018, Commercial & EGWP
( b )	(\$9,735,549)	Compound Adjustment (reversion to "normal" levels @ \$1.5 million per month)
( c )	9.0%	Annual Trend, Based on 2018 Aon Trend Survey Guidance
( d )	16	Months of Trend (Midpoint 4/1/17 to 7/1/19), Plus One Month for Payment Lag
( e )	1.122	Trend Factor
( f )	<b>\$456,750,000</b>	Projected Claims (rounded), = ( a ) + ( b ) x ( e )
( g )	(\$33,345,000)	Projected 2019 EGWP Revenue
( h )	(\$109,360,000)	Guaranteed Rebates (from Market Check)
( i )	(\$3,310,000)	Pricing Improvements (from Market Check)
( j )	\$3,030,000	Administrative Costs (from 2017 levels, trended 3% per year)
( k )	\$9,135,000	Margin (2.0% of Claims)
( l )	<b>\$322,900,000</b>	Estimated 2019, = sum of ( f ) through ( k )

- The 2019 Projected Cost is based on 12 recent months of claims spend, adjusted downward to reflect recent compound monthly spend, and trended forward at a 9% annual increase. An additional margin on claims has been added that was worth roughly 2.0% of claims.
- Projected 2019 EGWP revenue reflects funding from Medicare for Medicare eligible lives covered under the EGWP plan. This reflects a monthly subsidy from Medicare, Federal Reinsurance, manufacturer discounts in the coverage gap, and low income subsidies. This revenue is based on 2017 and 2018 revenue levels.
- Guaranteed rebates and pricing improvements reflect the results of a recent market check conducted by Aon. These reflect a total cost avoidance of \$15 million.

Amount in the Staff  
Summary Modification 2 –  
Extending ESI Contract

## 2019 Projected Cost vs. Original RFP Estimate

	2019		Comments on Restated Calculation
	ESI RFP BAFO	Restated	
Claims	\$375,060,000	\$447,885,000	Trended at 9% per year, and includes 2.0% margin
Administrative Costs	\$2,180,000	\$3,030,000	Based on 2017 and 2018 levels, trended up at 3% per year
Guaranteed Rebates	(\$67,350,000)	(\$97,670,000)	Prior to improvements from 2018 market check
EGWP Revenue	(\$33,450,000)	(\$33,345,000)	Based on 2017/2018 levels
Compound Drugs	\$14,480,000	\$18,000,000	Assumes \$1.5 million of compound spend per month
2018 Market Check for 2019	n/a	(\$15,000,000)	Reflects improvements in discounts and rebates
<b>ESI Net Plan Costs</b>	<b>\$290,920,000</b>	<b>\$322,900,000</b>	
<b>Difference</b>		<b>\$31,980,000</b>	

- “**ESI RFP BAFO**” reflects the Best and Final estimate in the 2015 Rx RFP for the fourth optional year under ESI.
- “**Restated**” 2019 costs, based on recent experience and market checks, are \$31.98 million higher than the estimate in the Rx RFP. This reflects the calculation shown on the prior page, only bucketed to be compared in a similar fashion to the Rx RFP.

Amount in Staff Summary for  
Modification 2





## Selected Slides from 2015 Rx RFP - BAFO

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## Executive Summary—Financial Results Summary

### Four Year Projected Net Savings

		Commercial			
		Vendor	CVS Health	Express Scripts	OptumRx
EGWP	<b>Catamaran</b>		\$86,220,000	\$81,630,000	\$74,870,000
	<b>CVS Health</b>		<b>\$132,990,000</b>	\$128,400,000	\$121,640,000
	<b>Express Scripts</b>		\$141,020,000	<b>\$144,800,000</b>	\$129,670,000
	<b>OptumRx</b>		\$102,050,000	\$97,460,000	<b>\$90,700,000*</b>

\*OptumRx's BAFO offered to implement the new pricing upon award if OptumRx were selected for both Commercial and EGWP. That would increase the savings for a combined award to OptumRx by approximately \$1.36 million per month, through the date when CVS or ESI would be able to implement.

- Savings are calculated as estimated value of each bidder's cost proposal vs. projected costs under current OptumRx/UHC contract
- Details of each financial proposal are found in Part I of this presentation



## Executive Summary—Financial Results Summary

### Commercial Population

Net Plan Cost Summary—2016					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$184,580,000				
<b>CVS Health BAFO</b>	\$169,850,000	\$14,730,000	8.0%	\$320,000	3
<b>ESI BAFO</b>	\$169,610,000	\$14,970,000	8.1%	\$80,000	2
<b>ESI BAFO (No EGWP)</b>	\$171,510,000	\$13,070,000	7.1%	\$1,980,000	4
<b>OptumRx BAFO</b>	\$169,530,000	\$15,050,000	8.2%	\$0	1

Net Plan Cost Summary—2016-2019					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$861,700,000				
<b>CVS Health BAFO</b>	\$771,690,000	\$90,010,000	10.4%	\$3,780,000	2
<b>ESI BAFO</b>	\$767,910,000	\$93,790,000	10.9%	\$0	1
<b>ESI BAFO (No EGWP)</b>	\$776,280,000	\$85,420,000	9.9%	\$8,370,000	3
<b>OptumRx BAFO</b>	\$783,040,000	\$78,660,000	9.1%	\$15,130,000	4

Net Plan Costs = Gross costs less member cost share and rebates plus base administration fees and claim costs that are excluded from PBM financial guarantees

## Executive Summary—Financial Results Summary

### EGWP Population

Net Plan Cost Summary—2016					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$59,430,000				
<b>Catamaran (Optum Alt) BAFO</b>	\$62,690,000	(\$3,260,000)	-5.5%	\$10,390,000	4
<b>CVS Health BAFO</b>	\$53,140,000	\$6,290,000	10.6%	\$840,000	2
<b>ESI BAFO</b>	\$52,300,000	\$7,130,000	12.0%	\$0	1
<b>OptumRx BAFO</b>	\$58,210,000	\$1,220,000	2.1%	\$5,910,000	3

Net Plan Cost Summary—2016-2019					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$302,520,000				
<b>Catamaran (Optum Alt) BAFO</b>	\$306,310,000	(\$3,790,000)	-1.3%	\$54,800,000	4
<b>CVS Health BAFO</b>	\$259,540,000	\$42,980,000	14.2%	\$8,030,000	2
<b>ESI BAFO</b>	\$251,510,000	\$51,010,000	16.9%	\$0	1
<b>OptumRx BAFO</b>	\$290,480,000	\$12,040,000	4.0%	\$38,970,000	3

Net Plan Costs = Gross costs less member cost share, rebates and CMS subsidy/reinsurance/manufacturer discounts plus base administration fees and claim costs that are excluded from PBM financial guarantees



## Executive Summary—Financial Results Summary Commercial and EGWP Combined\*

Net Plan Cost Summary—2016					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$244,010,000				
<b>CVS Health BAFO</b>	\$222,990,000	\$21,020,000	8.6%	\$1,080,000	2
<b>Express Scripts BAFO</b>	\$221,910,000	\$22,100,000	9.1%	\$0	1
<b>OptumRx BAFO</b>	\$227,750,000	\$16,260,000	6.7%	\$5,840,000	3

Net Plan Cost Summary—2016-2019					
Proposals	Total Projected Net Cost	Projected Net Plan Savings (Cost) vs. Current	% Net Savings (Cost) vs. Current	Difference From Best Bid	Ranking
<b>Current Contract</b>	\$1,164,200,000				
<b>CVS Health BAFO</b>	\$1,031,220,000	\$132,980,000	11.4%	\$11,810,000	2
<b>Express Scripts BAFO</b>	\$1,019,410,000	\$144,790,000	12.4%	\$0	1
<b>OptumRx BAFO</b>	\$1,073,510,000	\$90,690,000	7.8%	\$54,100,000	3

\*Assumes The Authority selects a single vendor for both Commercial and EGWP contracts

- Net Plan Costs = Gross costs less member cost share, rebates and CMS subsidy/reinsurance/manufacturer discounts plus base administration fees and claim costs that are excluded from PBM financial guarantees



## Financial Results Summary - Four Year Projected Net Savings

		Commercial			
		Vendor	CVS Health	Express Scripts	OptumRx
EGWP	<b>Catamaran</b>		\$86,220,000	\$81,630,000	\$74,870,000
	<b>CVS Health</b>		<b>\$132,990,000</b>	\$128,400,000	\$121,640,000
	<b>Express Scripts</b>		\$141,020,000	<b>\$144,800,000</b>	\$129,670,000
	<b>OptumRx</b>		\$102,050,000	\$97,460,000	<b>\$90,700,000*</b>

\*OptumRx's BAFO offered to implement the new pricing upon award if OptumRx were selected for both Commercial and EGWP. That would increase the savings for a combined award to OptumRx by approximately \$1.36 million per month, through the date when CVS or ESI would be able to implement.

- Savings are calculated as estimated value of each bidder's cost proposal vs. projected costs under current OptumRx/UHC contract



## Financial Summary—Commercial Contract Year One (2016)

The Authority—Pharmacy Pricing 2016					
	OptumRx - Current	CVS Health BAFO	ESI BAFO	ESI BAFO (No EGWP)	OptumRx BAFO
Formulary Year	2014	2015	2015	2015	2015
Deal Type	Contracted - Traditional	Traditional	Traditional	Traditional	Traditional
Allowed Charges (discounted ingredient cost + dispensing fees)	\$204,310,000	\$198,690,000	\$197,710,000	\$199,610,000	\$194,160,000
Allowed Charges - Ingredient Cost	\$203,740,000	\$198,300,000	\$197,130,000	\$199,040,000	\$193,710,000
Allowed Charges - Dispensing Fees	\$ 570,000	\$ 390,000	\$ 570,000	\$ 570,000	\$ 450,000
Member Cost Share (copays, coinsurance, etc.)	\$ 3,800,000	\$ 3,460,000	\$ 3,460,000	\$ 3,460,000	\$ 3,730,000
Allowed Charges - Net of Member Cost Share	\$200,510,000	\$195,240,000	\$194,240,000	\$196,150,000	\$190,420,000
Administration Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Guaranteed Rebates	(\$ 21,340,000)	(\$ 30,790,000)	(\$ 30,040,000)	(\$ 30,040,000)	(\$ 26,290,000)
Claims Excluded from Guarantees (e.g. compounds)	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000
Net Plan Cost	<b>\$184,580,000</b>	<b>\$169,850,000</b>	<b>\$169,610,000</b>	<b>\$171,510,000</b>	<b>\$169,530,000</b>
Net Plan Savings (Cost) over Current \$\$		\$ 14,730,000	\$ 14,970,000	\$ 13,070,000	\$ 15,050,000
Net Plan Savings (Cost) Over Current %		8.0%	8.1%	7.1%	8.2%
RANK		3	1	4	2

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## Financial Summary—Commercial Four Year Contract Term (2016–2019)

The Authority—Pharmacy Pricing 1/1/16–12/31/19					
	OptumRx - Current	CVS Health BAFO	ESI BAFO	ESI BAFO (No EGWP)	OptumRx BAFO
Formulary Year	2014	2015	2015	2015	2015
Deal Type	Contracted Traditional	Traditional	Traditional	Traditional	Traditional
Allowed Charges (discounted ingredient cost + dispensing fees)	\$935,150,000	\$908,240,000	\$903,560,000	\$911,930,000	\$889,630,000
Allowed Charges—Ingredient Cost	\$932,830,000	\$906,660,000	\$901,230,000	\$909,600,000	\$887,800,000
Allowed Charges—Dispensing Fees	\$ 2,330,000	\$ 1,590,000	\$ 2,330,000	\$ 2,330,000	\$ 1,830,000
Member Cost Share (copays, coinsurance, etc.)	\$ 14,320,000	\$ 12,960,000	\$ 12,980,000	\$ 12,980,000	\$ 14,060,000
Allowed Charges—Net of Member Cost Share	\$920,840,000	\$895,290,000	\$890,580,000	\$898,950,000	\$875,560,000
Administration Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Guaranteed Rebates	(\$ 80,750,000)	(\$145,210,000)	(\$144,280,000)	(\$144,280,000)	(\$114,140,000)
Claims Excluded from Guarantees (e.g. compounds)	\$ 21,610,000	\$ 21,610,000	\$ 21,610,000	\$ 21,610,000	\$ 21,610,000
Net Plan Cost	<b>\$861,700,000</b>	<b>\$771,690,000</b>	<b>\$767,910,000</b>	<b>\$776,280,000</b>	<b>\$783,040,000</b>
Net Plan Savings (Cost) over Current \$\$		<b>\$ 90,010,000</b>	<b>\$ 93,790,000</b>	<b>\$ 85,420,000</b>	<b>\$ 78,660,000</b>
Net Plan Savings (Cost) Over Current %		10.4%	10.9%	9.9%	9.1%
RANK		2	1	3	4

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## Financial Summary—EGWP Contract Year One (2016)

The Authority—Pharmacy Pricing 2016					
	OptumRx/UHC - Current	Catamaran BAFO (OptumRx Alternate)	CVS Health	Express Scripts	OptumRx/UHC
Plan/Policy Year	2016	2015	2015	2015	2015
Deal Type	Contracted + Traditional	Transparent	Transparent	Transparent	Transparent
<b>Allowed Charges (discounted ingredient cost + dispensing fees)</b>	\$130,910,000	\$129,000,000	\$128,090,000	\$128,320,000	\$126,450,000
<b>Allowed Charges - Ingredient Cost</b>	\$130,260,000	\$128,650,000	\$127,790,000	\$128,020,000	\$126,110,000
<b>Allowed Charges - Dispensing Fees</b>	\$ 650,000	\$ 350,000	\$ 300,000	\$ 300,000	\$ 340,000
<b>Member Cost Share (copays, coinsurance, etc.)<sup>1</sup></b>	\$ 31,980,000	\$ 32,290,000	\$ 32,050,000	\$ 32,100,000	\$ 31,990,000
<b>Allowed Charges - Net of Member Cost Share</b>	\$ 98,930,000	\$ 96,710,000	\$ 96,040,000	\$ 96,220,000	\$ 94,460,000
<b>Administration Fees</b>	\$ 2,880,000	\$ 3,210,000	\$ 2,030,000	\$ 2,180,000	\$ 2,900,000
<b>Guaranteed Rebates</b>	(\$ 18,010,000)	(\$ 12,860,000)	(\$ 20,560,000)	(\$ 21,730,000)	(\$ 14,780,000)
<b>50% Brand Manufacturer Discount in Gap</b>	(\$ 17,670,000)	(\$ 17,670,000)	(\$ 17,670,000)	(\$ 17,670,000)	(\$ 17,670,000)
<b>CMS Reinsurance</b>	(\$ 15,780,000)	(\$ 15,780,000)	(\$ 15,780,000)	(\$ 15,780,000)	(\$ 15,780,000)
<b>Claims Excluded from Guarantees (e.g. compounds)</b>	\$ 9,080,000	\$ 9,080,000	\$ 9,080,000	\$ 9,080,000	\$ 9,080,000
<b>Net Plan Cost</b>	<b>\$ 59,430,000</b>	<b>\$ 62,690,000</b>	<b>\$ 53,140,000</b>	<b>\$ 52,300,000</b>	<b>\$ 58,210,000</b>
<b>Net Plan Savings (Cost) over Current \$\$</b>		(\$ 3,260,000)	\$ 6,290,000	\$ 7,130,000	\$ 1,220,000
<b>Net Plan Savings (Cost) Over Current %</b>		-5.5%	10.6%	12.0%	2.1%
<b>RANK</b>		4	2	1	3

<sup>1</sup> Member cost share incorporates CMS subsidy payments – estimate based on amounts reported by UHC for CY 2014

<sup>2</sup> Current rebates are estimated based on actual pass-through amounts reported by Optum Rx for CY 2014; actual rebates passed through to NYCTA exceeded 2014 guaranteed by 89%



## Financial Summary—EGWP Four Year Contract Term (2016–2019)

The Authority—Pharmacy Pricing 1/1/16–12/31/19					
	OptumRx/UHC - Current	Catamaran BAFO (OptumRx Alternate)	CVS Health	Express Scripts	OptumRx/UHC
Formulary Year	2014	2015	2015	2016	2015
Deal Type	Contracted – Traditional	Transparent	Transparent	Transparent	Transparent
<b>Allowed Charges (discounted ingredient cost + dispensing fees)</b>	<b>\$603,110,000</b>	<b>\$593,270,000</b>	<b>\$589,560,000</b>	<b>\$590,370,000</b>	<b>\$584,440,000</b>
<b>Allowed Charges - Ingredient Cost</b>	<b>\$600,450,000</b>	<b>\$591,840,000</b>	<b>\$588,330,000</b>	<b>\$589,290,000</b>	<b>\$583,060,000</b>
<b>Allowed Charges - Dispensing Fees</b>	<b>\$ 2,660,000</b>	<b>\$ 1,430,000</b>	<b>\$ 1,230,000</b>	<b>\$ 1,080,000</b>	<b>\$ 1,380,000</b>
<b>Member Cost Share (copays, coinsurance, etc.)<sup>1</sup></b>	<b>\$147,330,000</b>	<b>\$148,550,000</b>	<b>\$147,630,000</b>	<b>\$147,800,000</b>	<b>\$147,360,000</b>
<b>Allowed Charges - Net of Member Cost Share</b>	<b>\$455,780,000</b>	<b>\$444,720,000</b>	<b>\$441,930,000</b>	<b>\$442,570,000</b>	<b>\$437,080,000</b>
<b>Administration Fees</b>	<b>\$ 11,580,000</b>	<b>\$ 12,900,000</b>	<b>\$ 8,160,000</b>	<b>\$ 8,700,000</b>	<b>\$ 11,670,000</b>
<b>Guaranteed Rebates</b>	<b>(\$ 67,360,000)</b>	<b>(\$ 53,830,000)</b>	<b>(\$ 93,070,000)</b>	<b>(\$ 102,280,000)</b>	<b>(\$ 60,790,000)</b>
<b>50% Brand Manufacturer Discount in Gap</b>	<b>(\$ 70,690,000)</b>	<b>(\$ 70,690,000)</b>	<b>(\$ 70,690,000)</b>	<b>(\$ 70,690,000)</b>	<b>(\$ 70,690,000)</b>
<b>CMS Reinsurance</b>	<b>(\$ 63,100,000)</b>	<b>(\$ 63,100,000)</b>	<b>(\$ 63,100,000)</b>	<b>(\$ 63,100,000)</b>	<b>(\$ 63,100,000)</b>
<b>Claims Excluded from Guarantees (e.g. compounds)</b>	<b>\$ 36,310,000</b>	<b>\$ 36,310,000</b>	<b>\$ 36,310,000</b>	<b>\$ 36,310,000</b>	<b>\$ 36,310,000</b>
<b>Net Plan Cost</b>	<b>\$302,520,000</b>	<b>\$306,310,000</b>	<b>\$259,540,000</b>	<b>\$251,510,000</b>	<b>\$290,480,000</b>
<b>Net Plan Savings (Cost) over Current \$\$</b>		<b>(\$ 3,790,000)</b>	<b>\$ 42,980,000</b>	<b>\$ 51,010,000</b>	<b>\$ 12,040,000</b>
<b>Net Plan Savings (Cost) Over Current %</b>		<b>-1.3%</b>	<b>14.2%</b>	<b>16.9%</b>	<b>4.0%</b>
<b>RANK</b>		<b>4</b>	<b>2</b>	<b>1</b>	<b>3</b>

<sup>1</sup> Member cost share incorporates CMS Part D Direct Subsidy payments – estimate based on amounts as reported by UHC for CY 2014

<sup>2</sup> Current rebates are estimated based on actual pass-through amounts reported by Optum Rx for CY 2014; actual rebates passed through to NYCTA exceeded 2014 guaranteed by 89%





## Appendix

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## Historical ESI Paid Claims by Month

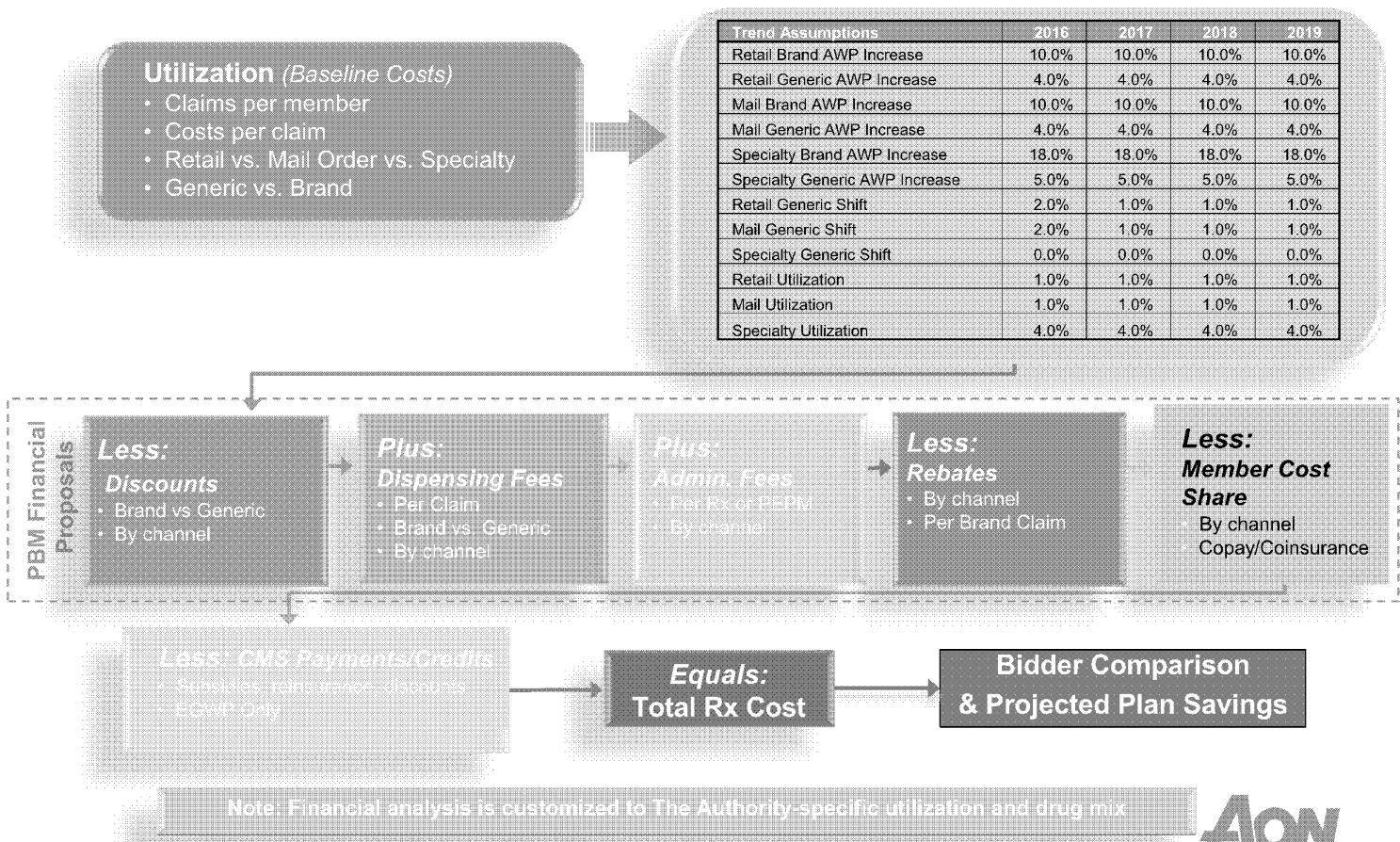
		Commercial	EGWP	Total
2016	May	\$17,911,061	\$7,398,426	\$25,309,486
	Jun	\$30,303,817	\$17,830,905	\$48,134,722
	Jul	\$13,776,548	\$6,917,122	\$20,693,671
	Aug	\$28,457,300	\$13,567,902	\$42,025,202
	Sep	\$18,556,181	\$8,905,634	\$27,461,815
	Oct	\$26,166,665	\$9,694,181	\$35,860,846
	Nov	\$15,083,879	\$11,684,177	\$26,768,056
	Dec	\$19,022,535	\$7,398,154	\$26,420,689
	Jan	\$26,861,374	\$12,311,242	\$39,172,616
	Feb	\$22,674,933	\$9,772,283	\$32,447,216
	Mar	\$24,576,009	\$9,439,741	\$34,015,750
	Apr	\$32,497,297	\$12,391,957	\$44,889,253
2017	May	\$27,783,134	\$9,820,795	\$37,603,929
	Jun	\$21,359,839	\$12,667,522	\$34,027,360
	Jul	\$21,579,365	\$10,270,617	\$31,849,982
	Aug	\$27,178,593	\$12,726,117	\$39,904,710
	Sep	\$21,230,528	\$10,452,647	\$31,683,175
	Oct	\$26,894,694	\$13,014,455	\$39,909,149
	Nov	\$20,974,537	\$10,672,503	\$31,647,040
	Dec	\$20,909,172	\$12,627,859	\$33,537,031
	Jan	\$32,959,406	\$13,267,272	\$46,226,677
	Feb	\$15,859,793	\$7,884,557	\$23,744,350
	Mar	\$21,463,766	\$10,925,130	\$32,388,896
	Apr	\$26,490,488	\$13,710,166	\$40,200,655
2018	May	\$20,123,917	\$10,855,762	\$30,979,679
	Jun	\$25,142,803	\$13,125,222	\$38,268,025
	Jul	\$19,033,486	\$11,081,495	\$30,114,981
	Aug	\$24,567,571	\$13,833,933	\$38,401,503
	Sep	\$20,319,224	\$11,169,450	\$31,488,674
	Oct	\$20,880,972	\$10,801,721	\$31,682,693

- Historical claims are shown, split between Commercial and EGWP populations, by paid months.
- The 12 month period of October 2017 through September 2018 (\$416.9 million) was used to develop the 2019 projected claims. The October 2018 amount shown does not quite reflect a full month of experience, so it was not included.

*\$416.9 million in paid claims,  
from 10/1/2017 through 9/30/2018*



## Financial Summary—Methodology



Notes Summary:

No speaker notes are contained in this presentation.